



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105

SEP 28 2010

CERTIFIED MAIL NO: 7003 3110 0006 1998 1915
RETURN RECEIPT REQUESTED

Mr. Jon Benjamin
Farella Braun Martel LLP
235 Montgomery Street
San Francisco, California 94104

Re: In the matter of Space Explorations Technologies, Inc.

Dear Mr. Benjamin,

Enclosed is a copy of the fully executed Consent Agreement and Final Order ("CAFO") that contains the terms of the settlement that Space Exploration Technologies, Inc. ("SpaceX") reached with the United States Environmental Protection Agency ("EPA").

As described in the terms of the enclosed CAFO, payment by SpaceX of the penalty identified in Section G of the enclosed CAFO is necessary to conclude this matter.

If you have any questions regarding the rules, regulations and statutes that govern this matter, please contact Andrew Helmlinger, Assistant Regional Counsel, at (415) 972-3904.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Scott", with a stylized flourish at the end.

Jeff Scott, Director
Waste Management Division

Enclosures

cc: Andrew Helmlinger, EPA ORC
James Polek, EPA WST

FILED

2010 SEP 28 PM 12:15

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION IX

U.S. EPA REGION IX
REGIONAL HEARING CLERK

In the matter of)	U.S. EPA Docket No.
)	RCRA- 9-2010- 0016
Space Exploration Technologies Corp.)	
)	
EPA ID No. CAR 000 191 536)	CONSENT AGREEMENT AND
)	FINAL ORDER PURSUANT TO
)	40 C.F.R. SECTIONS 22.13 AND
<u>Respondent.</u>)	22.18

CONSENT AGREEMENT

A. PRELIMINARY STATEMENT

1. This is a civil administrative enforcement action instituted pursuant to Section 3008(a)(1) of the Resource Conservation and Recovery Act ("RCRA"), as amended, 42 U.S.C. § 6928(a)(1), and the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties, Issuance of Compliance or Corrective Action Orders, and the Revocation, Termination or Suspension of Permits, 40 Code of Federal Regulations ("C.F.R.") Part 22, as revised by 64 Fed. Reg. 141 (July 23, 1999). Complainant is the United States Environmental Protection Agency, Region 9 ("EPA"). Respondent is Space Exploration Technologies Corp. (Respondent or "SpaceX").
2. Respondent leases and operates a facility located at 1 Rocket Road, in Hawthorne, California, 90250 (the "Facility"). The Facility's EPA Identification Number is CAR000191536. Respondent is engaged in the development and implementation of rockets for commercial launch and delivery of satellites and cargo into space, and performs a number of activities at the Facility, including the design and manufacturing of liquid-fuel rockets and the fabrication of necessary avionics.
3. This Consent Agreement and Final Order pursuant to 40 C.F.R. Sections 22.13 and 22.18 ("CA/FO"), simultaneously commences and concludes this proceeding, wherein EPA alleges that Respondent failed to: (1) obtain a permit for storage of hazardous waste that was stored for longer than allowed for a small quantity generator without a permit, a violation of 22 California Code of Regulations ("C.C.R.") § 66270.1 [see also 40 C.F.R. § 270.1]; (2) close containers of hazardous waste, a violation of 22 C.C.R. § 66265.173 [see also 40 C.F.R. § 265.173]; (3) maintain adequate aisle space in a hazardous waste storage area, a violation of 22 C.C.R. § 66265.35 [see also 40 C.F.R. § 265.35]; and (4)

perform waste determinations, a violation of 22 C.C.R. § 66262.11 [*see also* 40 C.F.R. § 262.11]. These allegations would be violations of Section 3001 *et seq.* of RCRA, 42 U.S.C. § 6921 *et seq.*, and state regulations adopted pursuant thereto.¹

B. JURISDICTION

4. On August 1, 1992, the State of California received authorization to administer the hazardous waste management program in lieu of the federal program pursuant to Section 3006 of RCRA, 42 U.S.C. § 6926, and 40 C.F.R. Part 271. The authorized program is established pursuant to the Hazardous Waste Control Law, Chapter 6.5 of Division 20 of the California Health and Safety Code, and the regulations promulgated thereunder at Title 22, Division 4.5 of the California Code of Regulations, 22 C.C.R. §§ 66001 *et seq.* The State of California has been authorized for all the regulations referenced in this CA/FO.
5. Respondent is a "person" as defined in 22 C.C.R. § 66260.10 [*see also* 40 C.F.R. § 260.10].
6. Respondent is the "operator" of a facility as defined in 22 C.C.R. § 66260.10 [*see also* 40 C.F.R. § 260.10].
7. Respondent's hazardous waste manifests indicate that, during the period relevant to this CA/FO, Respondent was a "small quantity generator" of hazardous waste as defined in 22 C.C.R. § 66260.10 [40 C.F.R. § 260.10].
8. Respondent is or has been engaged in "storage" of hazardous waste as defined in 22 C.C.R. § 66260.10 [*see also* 40 C.F.R. § 260.10].
9. Respondent generates and accumulates, or has generated and accumulated, materials that are "wastes" as defined in 22 C.C.R. §§ 66260.10 and 66261.2 [*see also* 40 C.F.R. §§ 260.10 and 261.2].
10. At the Facility, Respondent generates and accumulates, or has generated and accumulated, "hazardous waste" as defined in California Health & Safety Code § 25117, and 22 C.C.R. §§ 66260.10 and 66261.3 [*see also* RCRA § 1004(5), and 40 C.F.R. §§ 260.10 and 261.3]. These hazardous wastes include, but are not limited to, waste alodine (D002, D007), waste acetone (F003), waste isopropyl alcohol and phenol (D001), waste rocket propellant (D001), paint waste (D001, F003, F005), waste resin and epoxy (D001), waste Pasa Jell (D002, D007) and waste etch (D002).

¹ All citations to the "C.C.R." refer to Division 4.5 of Title 22 of the current California Code of Regulations. EPA is enforcing California hazardous waste management program requirements as approved and authorized by the United States on August 1, 1992 (*see* 57 FR 32726, July 23, 1992) and September 26, 2001 (66 FR 49118, September 26, 2001). Corresponding Federal citations are provided in brackets.

11. On July 13, 2009, an unannounced RCRA Compliance Evaluation Inspection ("CEI") was conducted by an inspector from the United States EPA. Based on the findings EPA made during the CEI, and additional information obtained subsequent to the CEI, EPA determined that Respondent had violated California Health & Safety Code § 25100 *et seq.* and the regulations adopted pursuant thereto, as approved and authorized by the United States. Nothing in the Inspection Report or subsequent documents related to this case, including this CA/FO, is meant to suggest that Respondent's actions or omissions had or have caused releases to the environment.
12. Section 3006 of RCRA, 42 U.S.C. § 6926 provides, *inter alia*, that authorized state hazardous waste programs are carried out under Subtitle C of RCRA. Therefore, a violation of any requirement of law under an authorized state hazardous waste program is a violation of a requirement of Subtitle C of RCRA.
13. A violation of California's authorized hazardous waste program, found at H&SC § 25100 *et seq.*, constitutes a violation of Subtitle C of RCRA and, therefore, a person who violates California's authorized hazardous waste program is subject to the powers vested in the EPA Administrator by Section 3008 of RCRA, 42 U.S.C. § 6928.
14. Section 3008 of RCRA, 42 U.S.C. § 6928, authorizes the EPA Administrator to issue orders requiring compliance immediately or within a specified time for violation of any requirement of Subtitle C of RCRA, Section 3001 of RCRA *et seq.*, 42 U.S.C. § 6921 *et seq.*
15. The Administrator has delegated the authority under Section 3008 of RCRA to the EPA Regional Administrator for Region 9, who has redelegated this authority to the Director of the Waste Management Division.

C. ALLEGED VIOLATIONS

COUNT I

Failure to Close Containers of Hazardous Waste

16. Paragraphs 1 through 15 above are incorporated herein by this reference as if they were set forth here in their entirety.
17. 22 C.C.R. § 66265.173(a) requires that a container holding hazardous waste shall always be closed during transfer and storage, except when it is necessary to add or remove waste. [See also 40 C.F.R. § 265.173(a).]
18. The EPA Inspector during the CEI observed containers marked to contain hazardous waste that were not closed and were not in the process of having waste added or removed. These unclosed containers included one 55 gallon container of waste isopropyl alcohol, one 2 gallon container of unknown material in a flammable materials cabinet, and one 24 ounce container of waste resin in the PICA lab within the Facility.

19. Therefore, EPA alleges that Respondent stored hazardous waste in a container holding hazardous waste that was not closed during transfer and storage, a violation of 22 C.C.R. § 66265.173(a) [see also 40 C.F.R. § 265.173(a)].

COUNT II

Failure to Maintain Adequate Aisle Space in Hazardous Waste Storage Area

20. Paragraphs 1 through 19 above are incorporated herein by this reference as if they were set forth here in their entirety.
21. 22 C.C.R. § 66265.35 requires that owners or operators maintain aisle space to allow the unobstructed movement of personnel, fire protection equipment, spill control equipment, and decontamination equipment to any area of the Facility operation in an emergency, unless it can be demonstrated that aisle space is not needed for any of these purposes. [See also 40 C.F.R. § 265.35.]
22. The EPA Inspector during the CEI observed that the lack of aisle space in the hazardous waste storage area of the Facility limited the inspection, as labels and containers were inaccessible and unobservable.
23. Therefore, EPA alleges that Respondent has violated 22 C.C.R. § 66265.35 [see also 40 C.F.R. § 262.35].

COUNT III

Failure to Perform Waste Determination

24. Paragraphs 1 through 23 above are incorporated herein by this reference as if they were set forth here in their entirety.
25. 22 C.C.R. § 66262.11 states that a facility that generates waste, as defined by 22 C.C.R. § 66261.2, must determine if the waste is a hazardous waste [see also 40 C.F.R. § 262.11].
26. The EPA Inspector during the CEI observed a 5 gallon container in the Spin Form Area of the Facility marked "Alodine Only," a 1 gallon pan of apparent cutting oil and a 5 gallon container of unknown material in the Machine Shop of the Facility. Respondent had not determined if these accumulated wastes were hazardous.
27. Therefore, EPA alleges that Respondent has violated 22 C.C.R. § 66262.11 [see also 40 C.F.R. § 262.11].

COUNT IV

Storage of Hazardous Waste Without a Permit

28. Paragraphs 1 through 27 above are incorporated herein by this reference as if they were set forth here in their entirety.
29. 22 C.C.R. § 66270.1(c) requires that, except as described immediately below, each person owning or operating a facility where hazardous waste is transferred, treated, stored, or disposed must have a permit. At the time of the CEI, Respondent did not have a permit or grant of interim status to store hazardous waste under 22 C.C.R. § 66270.1(c) [see also 40 C.F.R. § 270.1(c)].
30. 22 C.C.R. § 66262.34(d) provides that a small quantity generator (generator of less than 1,000 kilograms of hazardous waste in any calendar month) may accumulate hazardous waste on-site for 180 days or less without a permit or grant of interim status provided the generator meets certain conditions. 22 C.C.R. § 66262.34(f) requires that generators label containers with the words "hazardous waste" and with the date accumulation of the waste begins, and the label must be visible for inspection [see also 40 C.F.R. § 262.34(f)]. Small quantity generators that accumulate waste longer than 180 days or fail to label containers of hazardous waste appropriately fail to meet the requirements of 22 C.C.R. § 66262.34, and are subject to the permitting requirements of 22 C.C.R. § 66270.1 [see also 40 C.F.R. § 270.1].
31. The EPA Inspector during the CEI observed one 55 gallon container of waste isopropyl alcohol with an accumulation start date labelled as April 24, 2008, and one 5 gallon container of acid etch with an accumulation start date labelled as November 16, 2008. SpaceX may have used the 55 gallon container for accumulation of wastes generated in satellite areas within the Facility, and the container thereby was incorrectly labelled.
32. Respondent's failure to meet the applicable requirements set forth or referenced above from 22 C.C.R. § 66262.34 would subject it to the permit requirements of 22 C.C.R. § 66270.1 [see also 40 C.F.R. §§ 262.34 and 270.1]. Therefore, EPA alleges that Respondent stored hazardous waste without a permit, a violation of 22 C.C.R. § 66270.1(c) [see also 40 C.F.R. § 270.1(c)].

D. CIVIL PENALTY

33. Section 3008(g) of RCRA, 42 U.S.C. § 6928(g), as adjusted by the Debt Collection Improvement Act of 1996 (61 Fed. Reg. 69360 (Dec. 31, 1996)) authorizes a civil penalty of up to \$27,500 per day per violation for violations of Subtitle C of RCRA, 42 U.S.C. § 6921 *et seq.*, occurring between January 31, 1997 and March 15, 2004. The Civil Monetary Penalty Inflation Adjustment Rule (69 Fed. Reg. 7121 (Feb. 13, 2004)) authorizes a civil penalty of up to \$32,500 per day per violation for violations occurring after March 15, 2004 and a civil penalty of up to THIRTY-SEVEN THOUSAND, FIVE HUNDRED DOLLARS (\$37,500) per day for violations of Subtitle C of RCRA, 42 U.S.C. § 6921 *et seq.*, occurring after January 12, 2009. Based upon the facts alleged herein and upon those factors which EPA must consider pursuant to Section 3008(a)(3)

of RCRA, 42 U.S.C. § 6928(a)(3), and the RCRA Civil Penalty Policy, including the seriousness of the violations, any good faith efforts by Respondent to comply with applicable requirements, and any economic benefit accruing to Respondent, as well as such other matters as justice may require, EPA proposes that Respondent be assessed FORTY-FIVE THOUSAND SIX HUNDRED DOLLARS (\$45,600.00) as the civil penalty for the violations alleged herein. The proposed penalties were calculated in accordance with EPA's "June 2003 RCRA Civil Penalty Policy," as updated. Under the penalty policy, EPA uses a penalty assessment matrix to determine a gravity-based penalty. That penalty amount is then adjusted to take into account multi-day violations, the economic benefit gained from non-compliance, where appropriate, and case-specific circumstances.

E. ADMISSIONS AND WAIVERS OF RIGHTS

34. For the purposes of this proceeding, Respondent admits to the jurisdictional allegations set forth in Section B of this CA/FO and agrees not to contest EPA's jurisdiction and authority to enter into and issue this CA/FO and to enforce its terms. Further, Respondent will not contest EPA's jurisdiction and authority to compel compliance with this CA/FO in any enforcement proceedings, either administrative or judicial, or to impose sanctions for violations of this CA/FO.
35. Respondent neither admits nor denies any allegations of fact or law set forth in Section C of this CA/FO, and this CA/FO and Respondent's compliance with it shall not be construed as an admission by Respondent of any wrongdoing or liability. Notwithstanding the foregoing, Respondent hereby waives any rights Respondent may have to contest the allegations set forth in this CA/FO, waives any rights Respondent may have to a hearing on any issue relating to the factual allegations or legal conclusions set forth in this CA/FO, including without limitation a hearing pursuant to Section 3008(b) of RCRA, 42 U.S.C. § 6928(b), and hereby consents to the issuance of this CA/FO without adjudication. In addition, Respondent hereby waives any rights Respondent may have to appeal the Final Order attached to this Consent Agreement and made part of this CA/FO.

F. PARTIES BOUND

36. This CA/FO shall apply to and be binding upon Respondent and its agents, successors and assigns, until such time as the civil penalty required under Sections D and G has been paid in accordance with Section G, and any delays in performance and/or stipulated penalties have been resolved. At such time as those matters are concluded, this CA/FO shall terminate and constitute full settlement of the violations alleged herein.
37. No change in ownership or corporate, partnership or legal status relating to the Facility will in any way alter Respondent's obligations and responsibilities under this CA/FO.
38. The undersigned representative of Respondent hereby certifies that he or she is fully authorized by Respondent to enter into this CA/FO, to execute and to legally bind Respondent to it.

G. PAYMENT OF CIVIL PENALTY

39. Respondent consents to the assessment of and agrees to pay a civil penalty of FORTY-FIVE THOUSAND SIX HUNDRED DOLLARS (\$45,600.00) in full settlement of the federal civil penalty claims set forth in this CA/FO.
40. Respondent shall submit payment of the FORTY-FIVE THOUSAND SIX HUNDRED DOLLARS (\$45,600.00) in accordance with the payment schedule specified in Paragraph 41 of this CA/FO. The Effective Date of this CA/FO is the date the Final Order, signed by the Regional Judicial Officer, is filed with the Regional Hearing Clerk. All payments shall indicate the name of the Facility, EPA identification number of the Facility, the Respondent's name and address, and the EPA docket number of this action. Payment shall be made by certified or cashier's check payable to "Treasurer of the United States" and sent to:

US Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
PO Box 979077
St. Louis, MO 63197-9000.

Alternatively, payment may be made by wire transfer to Federal Reserve Bank of New York, using the following information:

Federal Reserve Bank of New York
ABA = 021030004
Account = 68010727
SWIFT Address = FRNYUS33
33 Liberty Street
New York, NY 10045
Field Tag 4200 of the Fedwire message to read "D 68010727 Environmental Protection Agency."

At the time payment is made, a copy of the check or wire confirmation shall be sent to:

Regional Hearing Clerk (RC-1)
U.S. Environmental Protection Agency - Region 9
75 Hawthorne Street
San Francisco, CA 94105

and

Jim Polek (WST-3)
Waste Management Division
U.S. Environmental Protection Agency - Region 9

75 Hawthorne Street
San Francisco, CA 94105.

41. The payment of \$45,600 is due within 60 days of the effective date of this CA/FO.
42. In accordance with the Debt Collection Act of 1982 and U.S. Treasury directive (TFRM 6-8000), the payment must be received by the due date set forth in this CA/FO to avoid additional charges. If payment is not received by the due date, interest will accrue from the Effective Date of this CA/FO at the current rate published by the United States Treasury as described at 40 C.F.R. § 13.11. A late penalty charge of \$15.00 will be imposed after sixty days (60) calendar days with an additional \$15.00 charge for each subsequent 30-day period. A 6% per annum penalty will further apply on any principal amount not paid within one hundred twenty (120) calendar days of its due date. Respondent further will be liable for stipulated penalties as set forth below for any payment not received by its due date.

H. DELAY IN PERFORMANCE/STIPULATED PENALTIES

43. In the event Respondent fails to meet any requirement set forth in this CA/FO, Respondent shall pay stipulated penalties as set forth below:
For failure to submit a payment to EPA by the time required in this CA/FO: ONE HUNDRED DOLLARS (\$100) per day for first to fifteenth day of delay, FIVE HUNDRED DOLLARS (\$500) per day for sixteenth to thirtieth day of delay, and ONE THOUSAND DOLLARS (\$1,000) per day for each day of delay thereafter.
44. All penalties owed to EPA under this Section shall be due within thirty (30) days of receipt of a notification of noncompliance. Such notification shall describe the noncompliance and shall indicate the amount of penalties due. Interest at the current rate published by the United States Treasury, as described at 40 C.F.R. §13.11, shall begin to accrue on the unpaid balance at the end of the thirty-day period.
45. All penalties shall be made payable by certified or cashier's check to "Treasurer of the United States" and shall be remitted as described in Paragraph 40.
46. The payment of stipulated penalties shall not alter in any way Respondent's obligation to complete the performance required hereunder.
47. The stipulated penalties set forth in this Section do not preclude EPA from pursuing any other remedies or sanctions which may be available to EPA by reason of Respondent's failure to comply with any of the requirements of this CA/FO.

J. RESERVATION OF RIGHTS

48. EPA hereby reserves all of its statutory and regulatory powers, authorities, rights and remedies, both legal and equitable, including the right to require that Respondent perform tasks in addition to those required by this CA/FO, except as to those civil penalties for the violations and facts alleged herein. EPA further reserves all of its statutory and regulatory powers, authorities, rights and remedies, both legal and equitable, which may pertain to Respondent's failure to comply with any of the requirements of this CA/FO, including without limitation, the assessment of penalties under Section 3008(c) of RCRA, 42 U.S.C. § 6928(c). This CA/FO shall not be construed as a covenant not to sue, release, waiver or limitation of any rights, remedies, powers or authorities, civil or criminal, which EPA has under RCRA (except as to those civil penalties for the violations and facts alleged herein); the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"); or any other statutory, regulatory or common law enforcement authority of the United States.
49. Compliance by Respondent with the terms of this CA/FO shall not relieve Respondent of its obligations to comply with RCRA or any other applicable local, State or federal laws and regulations.

The entry of this CA/FO and Respondent's consent to comply shall not limit or otherwise preclude EPA from taking additional enforcement actions should EPA determine that such actions are warranted except as they relate to Respondent's liability for federal civil penalties for the specific alleged violations and facts as set forth in Section C of this CA/FO.

50. This CA/FO is not intended to be nor shall it be construed as a permit. This CA/FO does not relieve Respondent of any obligation to obtain and comply with any local, State or federal permits.

K. OTHER CLAIMS

Nothing in this CA/FO shall constitute or be construed as a release from nor an admission by Respondents of any other claim, cause of action or demand in law or equity by or against any person, firm, partnership, entity or corporation for any liability it may have arising out of or relating in any way to the generation, storage, treatment, handling, transportation, release, or disposal of any hazardous constituents, hazardous substances, hazardous wastes, pollutants, or contaminants found at, taken to, or taken from the Facility.

L. MISCELLANEOUS

51. This CA/FO may be amended or modified only by written agreement executed by both EPA and Respondent.
52. The headings in this CA/FO are for convenience of reference only and shall not affect interpretation of this CA/FO.

53. The Effective Date of this CA/FO is the date the Final Order, signed by the Regional Judicial Officer, is filed by the Regional Hearing Clerk.

IT IS SO AGREED.

9/13/10

Date

Gwynne E. Shotwell

Gwynne Shotwell, President
Space Exploration Technologies Corp.

9/29/10

Date

Jeff Scott

Jeff Scott, Director
Waste Management Division
U.S. Environmental Protection Agency, Region 9

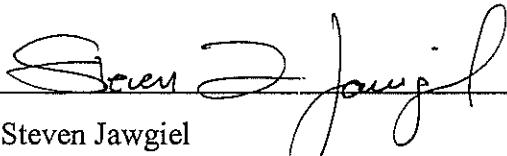
FINAL ORDER

IT IS HEREBY ORDERED that this Consent Agreement and Final Order pursuant to 40 C.F.R. Sections 22.13 and 22.18 (U.S. EPA Docket No. RCRA-9 -2010- 0016) be entered and that Space Exploration Technologies Corp. pay a civil penalty of (\$45,600.00) due in accordance with the payment schedule specified in Paragraph 41 of this Consent Agreement and Final Order. Payment must be made pursuant to Section G of the Consent Agreement.

This Final Order shall be effective upon filing by the Regional Hearing Clerk.

09/27/10

Date



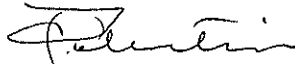
Steven Jawgiel
Regional Judicial Officer
United States Environmental Protection Agency,
Region 9

CERTIFICATE OF SERVICE

I hereby certify that on the date below, the original copy of the Consent Agreement and Final Order in the matter of Space Exploration Technologies, Inc., was filed with the Regional Hearing Clerk, Region IX, and that a copy was sent by certified mail, return receipt requested, to:

Mr. Jon Benjamin
Farella Braun Martel LLP
235 Montgomery Street
San Francisco, California 94104

9/28/10
Date



For: Regional Hearing Clerk
Office of Regional Counsel, Region 9